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TEDE-00 INR-00 LAB-01 L-00 VCIE-00 NSAE-00 ISN-00
NSCE-00 OES-00 OMB-00 NIMA-00 EPAU-00 GIWI-00 SGAC-00
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SUBJECT: SCOPE PAPER FOR ASSISTANT SECRETARY HILL'S VISIT TO HO CHI MINH CITY

REF: NONE

1. (SBU) HCMC and its neighboring provinces are the economic and financial soul of Vietnam. Textiles, footwear, furniture, aquaculture -- key export industries -- as well as the country's USD seven billion oil and gas sector are centered around HCMC. With roughly 15 percent of the population, HCMC and its neighboring provinces account for 36 percent of GDP, 34 percent of GVN tax revenue and at least 42 percent of the country's total USD 26 billion FDI investment. We believe that at least half of Vietnam's USD three to six billion in remittances flow into the HCMC area.

2. (SBU) In your meetings with government and Party officials, political dissidents, Cardinal Man and business leaders and entrepreneurs, you will want to stress the same broad themes as outlined for your meetings in the capital. On many of these issues, Ho Chi Minh City's decision-makers have substantial influence and "soft power" in the policy debate in Hanoi. Most of the people you will meet -- including the dissidents -- will be particularly interested in how Washington sees Vietnam and the bilateral relationship, Vietnam's WTO prospects as well as regional issues, with a particular focus on China.

3. (SBU) U.S. corporations, such as Nike, ConocoPhillips, and Citibank, and private American entrepreneurs -- many from the Vietnamese-American ("Viet Kieu") community -- help drive HCMC's growth. U.S., Japanese, and other foreign investors see southern Vietnam as a cost-effective hedge to China, especially in lower volume but higher quality products such as knitwear and fine furniture. City leaders acknowledge that rising labor costs (underlined by recent violence-tinged strikes over wages), and the lack of both vertical integration and world-class transportation infrastructure threaten to undermine the region's competitiveness. Local officials may tell you that their strategy is to move the city into higher value-added sectors, such as software and technology. As HCMC pushes into these new areas, U.S. business is helping to lead the way. There already are a number of U.S.-linked, medium-sized software developers based in the city. HCMC's nascent tech sector will get an immense boost if Intel's plans to open a USD 600 million manufacturing plant here come to fruition. More broadly, the HCMC American Chamber of Commerce has played a real leadership and informal advisory role in encouraging the GVN to stay on the path of economic reform.

Leaders With Vision

4. (SBU) Vietnamese provincial leaders have a significant degree of autonomy to implement Hanoi directives based on their interpretation of "local conditions." Leadership helps explain why HCMC and some neighboring provinces are growing quickly -- up to 15 percent annually -- while other provinces are not. Political leaders in the HCMC region are determined to create a government culture more responsive to private business needs. HCMC's recent Provincial Party Congress kept intact the city's management team -- headed by HCMC Party Secretary and Politburo member Nguyen Minh Triet, at least for now. Rumors persist that, following the 10th Party Congress, Triet will be sent to Hanoi to become Chief of the Commission on Organizational Affairs of the Party's Central Committee. In this capacity, he will remain a Politburo member, and his protege, and current HCMC Party Deputy, Le Hoang Quan, will succeed him (and also join the Politburo).

15. (SBU) HCMC's leaders have been relatively progressive in handling religious freedom and human rights issues. Although implementation problems remain, Cardinal Man will tell you that HCMC has partnered with the Catholic Church to combat HIV/AIDS, the first such faith-based partnership in Vietnam. Similarly, Protestant groups, including house churches, report improved treatment here. Two house church organizations recently have been registered under Vietnam's legal framework on religion, a first in Vietnam. However, leaders of the staunchly anti-Communist United Buddhist Church of Vietnam (UBCV) remain under pressure, as does the city's small political dissident community; the authorities view both the UBCV and the dissidents as threats to the regime.

16. (SBU) Elsewhere in our Consular bailiwick, particularly in the Central Highlands, leaders have been tougher on religion and slower to enact the reforms needed to grow the local economy, but even there we see progress; again, more dynamic provincial leadership makes all the difference. A case in point is Dak Lak Province, where new leadership appointed during the recent provincial Party Congress appears far more open to dialogue than its predecessors, has eased pressure on religious groups, and has facilitated the issuance of passports for ethnic minority individuals seeking to join their families in the U.S. under the VISAS-93 program.

Reform vs. Control

17. (SBU) Our contacts in southern Vietnam portray a Communist Party on the horns of a dilemma as it prepares for the 10th Party Congress this spring. On the one hand, Party officials fret that reform will erode the power and patronage that help them control Vietnamese society. On the other hand, Party leaders here believe that their legitimacy rests in part on satisfying the economic demands of the average Vietnamese. They also are looking anxiously at China, whose influence and power is becoming an increasing preoccupation to nationalistic Vietnamese inside and outside the Party. Perhaps more than anywhere else in Vietnam, leaders in HCMC seem to appreciate that financial and capital market reform and stronger rule of law are needed to prevent growth from sputtering, particularly in a WTO environment. They also appreciate that the HCMC region needs capital to dramatically upgrade its inadequate roads, ports and airports lest poor infrastructure become a bottleneck to growth. City leaders likely will press you to encourage more U.S. infrastructure and technology investment in the province. You may wish to point out that to succeed, the city must wean itself from an overdependency on tied-ODA and seek competitive market solutions for infrastructure development.

Attitudes Toward the United States

18. (SBU) Polling has shown that public attitudes toward the United States are more positive in HCMC -- and in southern Vietnam writ large -- than in the North. However, this warmth does not permeate the Party, which even in the more open South remains ambivalent about the United States. The most progressive officials privately tell us that one-party rule is a developmental dead end. Pragmatists acknowledge that we are the only economic, political and military counterweight to China. Others, particularly Ministry of Public Security officials and Party ideologues, suspect that the USG seeks to use economic reform and pressure for greater human rights to engineer the overthrow of the Party; hardliners have termed this notion pejoratively, "peaceful evolution." These themes are the subtext for much of the ongoing debate between reformists and Party hardliners in the run-up to the 10th Party Congress.

19. (SBU) Former Prime Minister Vo Van Kiet, senior statesman of the Party in southern Vietnam, has emerged as the de facto spokesman of the Party's reformist wing, which is pushing for the Party Congress to endorse comprehensive economic, social and political reform. Kiet has accused conservatives of fostering a climate of cronyism and venality that damages the Party's legitimacy, stifles economic growth, and undermines Vietnam's aspirations for international integration, including WTO membership and improved relations with the United States. Kiet's prescriptions -- economic and political -- are the most comprehensive and far-reaching that we have seen emanate from within the Party's senior ranks thus far.

110. (SBU) Kiet has become the darling of the reform-oriented HCMC press, which has given his statements headline coverage. HCMC's leading mass circulation newspaper also recently ran a daring series highlighting the 60th anniversary of the founding of the National Assembly in which it implicitly criticized that Party for stifling representative government. The outcome of political jockeying leading to the Party Congress will set the tone for national policy in coming years on a range of political and economic issues of importance to the United States; political and institutional leaders in HCMC will continue to help shape that outcome.

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